

Message Text

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SUBJECT: SUMMARY QAYSUNI INTERVIEW WITH AL AHRAN

1. DEPPRIMIN QAYSUNI IN INTERVIEW WITH AL AHRAH COVERED GOE ECONOMIC PROBLEMS IN THREE PART FEATURE WHICH ENDED SEPT 7. QAYSUNI TOUCHED ON ALL AREAS OF ECONOMIC CONCERN IN ARTICLE, NOTING GOE PROBLEMS WERE "GREAT BUT NOT INSOLUBLE" AND SUMMED UP CRUX OF DIFFICULTIES AS "EXCESS OF NEEDS OVER RESOURCES."

2. ACCORDING QAYSUNI, SERIOUS DETERIORATION COMMENCED IN 1967 WHEN ALL DEVELOPMENT PLANS WERE SCRAPPED IN ORDER TO PURSUE ALL OUT WAR PREPARATION EFFORT TO REGAIN OCCUPIED LANDS. AS INVESTMENT OTHER THAN IN MILITARY SECTOR DECLINED, ECONOMIC GROWTH SLOWED AND NATIONAL INCOME DROPPED. THESE FACTORS COMBINED WITH RAPID POPULATION GROWTH LED TO DETERIORATION IN STANDARD OF LIVING. HE NOTED ECONOMY HAD STRENGTHENED SINCE 1973 WHEN LIBERALIZATION MEASURES INITIATED, BUT AS IMPORT PRICE RISES EXCEED EXPORT PRICES FOR PRINCIPAL EGYPTIAN COMMODITIES, GOE TRADE BALANCE REMAINED IN DEFICIT. ACCORDING TO QAYSUNI THIS DEFICIT EQUALLED LE 1 BILLION IN BOTH 1975 AND 1976. ADDITIONALLY, FOREIGN DEBT HAD RUN TO \$12 BILLION BY 1976.

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3. QAYSUNI POINTED OUT THAT GOE HOPES RECTIFY MUCH OF PROBLEM THROUGH BETTER BUDGETING AND MORE COST CONTROL. HE NOTED THAT SUBSTANTIAL REVENUES HAVE RESULTED FROM REOPENING SUEZ CANAL, INCREASED TOURISM, AND NEW YIELDS FROM PETROLEUM OPERATIONS.

4. IN RAISING RECURRENT ADMINISTRATIVE THEME, QUAYSUNI

NOTED PRICE SUBSIDIES HAVE CONTRIBUTED IN LARGE MEASURE TO SYSTEM'S ECONOMIC IMBALANCE. WHEN ORIGINALLY INTRODUCED IN 1960, SCHEME COVERED THREE OR FOUR COMMODITIES AND COST GOE LE 9 MILLION. AS RECENTLY AS 1975 THIS FIGURE HAD RISEN TO LE 622 MILLION. ALTHOUGH 1976 BILL TOTALLED ONLY LE 380 MILLION (DIRECT SUBSIDIES), SUM STILL REPRESENTED SIZEABLE OUTLAY FOR GOE. HE FURTHER COMMENTED THAT SUBSIDIES HAD BEEN EXTENDED TO COVER NON-ESSENTIAL ITEMS, E.G., CANDY, FLOWERS, WHILE CERTAIN NECESSARY COMMODITIES SUCH ASH TEXTILES WERE EXCLUDED. ALSO CONTROL OF CERTAIN DOMESTIC PRICES (E.G., PETROLEUM) LED TO AN INDIRECT SUBSIDY AS INTERNAL PRICE HELD SIGNIFICANTLY UNDER WORLD MARKET PRICE. BOTH DIRECT AND INDIRECT SUBSIDIES RESULTED IN SUBSTANTIAL AND CONSISTENT PUBLIC SECTOR DEFICITS. ACCORDINGLY, BOTH MUST BE ELIMINATED TO RATIONALIZE OVER ALL ECONOMIC SITUATION.

5. QAYSUNI FURTHER POINTED OUT THAT WHILE CONSUMERS MAY BELIEVE THEY INITIALLY BENEFIT FROM SUBSIDIES WHICH LOWER RETAIL PRICES, MARKET DISTORTIONS IN SUPPLY OFTEN CREATE "BLACK" MARKETS WHICH ATTRACT COMMODITIES IN SHORT SUPPLY. IN SUCH CASE, UNWARRANTED PROFITS ARE MADE BY MERCHANTS/ MIDDLEMEN WHO CORNER SUPPLIES AT SUBSIDIZED PRICES BUT RESELL THEM AT EXHORBITANT PRICES. CONSUMERS, IN ORDER TO OBTAIN NECESSITIES, HAVE NO CHOICE BUT TO PAY.

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6. IN MORE GENERAL VEIN, QAYSUNI SAID PAST GOVERNMENT WILLINGNESS TO ABSORB LOSSES OF PUBLIC SECTOR COMPANIES DESTROYED COMPETITION AND QUALITY PRODUCTION. THIS HAS WORKED TWO WAYS: FIRST, GUARANTEES AGAINST LOSS LEAVE PUBLIC SECTOR COMPANIES WITH LITTLE OR NO INCENTIVE TO IMPROVE PRODUCTION OR QUALITY AND, SECOND, LOW RATE OF POTENTIAL PROFIT PREVENTED THOSE COMPANIES WHICH MADE MONEY FROM ACTUALLY REALIZING SIGNIFICANT RETURNS IN ORDER TO IMPROVE, EXPAND, OR MAINTAIN OPERATIONS THROUGH REINVESTMENT. QAYSUNI STRESSED THAT PUBLIC SECTOR, WHICH ACCOUNTS FOR 40 PERCENT OF EGYPT'S GNP, HAS NOT REALIZED PROFITS IN LINE WITH EARLIER GOE EXPECTATION. QAYSUNI DIRECTLY ATTRIBUTES THIS TO POINTS RAISED ABOVE AND EMPHASIZED THAT LIBERALIZATION AND RATIONALIZATION OF ECONOMIC SYSTEM IMPERATIVE TO ECONOMIC STIBULATION AND EVENTUAL REJUVENATION OF GOE ECONOMY.

7. COMMENT: QUYSUNI'S STATEMENTS REFLECT PRESENT GOVERNMENT CAMPAIGN TO CONVICE POPULACE THAT SUBSIDIES NOT IN THEIR INTEREST. WHETHER ECONOMIC RATIONALIZATIONS WILL IMPRESS INDIVIDUAL CONSUMER OR NOT REMAINS TO BE SEEN. COMMENTS CLEARLY INDICATE NONETHELESS THAT QUYSUNI CONTINUES

ARTICULATE IDEA THAT GOE MUST MAKE CERTAIN HARD ECONOMIC
DECISIONS NOW. QAYSUNI POINTED OUT THAT CONTINUAL BUDGET
DEFICITS HAVE NOT SOLVED PROBLEM, BUT ONLY SERVE TO
AGGRAVATE INFLATION. SUCH COMMENTARY ALSO FITS IN
WITH REPORTED GOAL OF DEPPRIMIN TO CONSTRUCT CONSISTENT
NATIONAL BUDGET FOR 1978 IN ACCORDANCE WITH ACCEPTED
ACCOUNTING PROCEDURES, AS OPPOSED TO HERETOFORE VIRTUALLY
INCOMPREHENSIBLE GOE APPROACH.
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